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SUBJECT: NEPAL REQUESTS USG LENIENCY FOR WTO ACCESSION

REF: A. (A) STATE 91517

- [1](#)B. (B) 4/15 LAUTERBACH-WELBORNE E-MAIL
- [1](#)C. (C) 02 KATHMANDU 2263
- [1](#)D. (D) 00 GENEVA 3607
- [1](#)E. (E) 00 KATHMANDU 1643

SUMMARY

[1](#)1. (SBU) Summary and Action Request: In an April 16 meeting with the Ambassador, Commerce Secretary Lawa Prasad Devkota requested that the USG show greater flexibility in accepting Nepal's revised WTO offers. As a long-time development partner, it is "kind of incumbent" upon the US to assist Nepal in its efforts to accede to WTO, Devkota said. The Secretary also reiterated long-standing requests for the USG

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to provide Nepal with technical assistance in customs valuation. Nepal expects to provide the WTO Secretariat with a consolidated response to all Working Party members' reactions to their revised offers by the end of April. In separate meetings with the Ambassador on April 15 and with econoff on April 16, two visiting officials from the WTO Secretariat similarly urged that the USG moderate its

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reaction to Nepal's revised offers. Action Request: INL has apparently decided not to fund our FY 03 proposal to provide technical assistance in customs valuation to Nepal. The Embassy urges INL to reconsider this decision. End summary.

COMMERCE ASKS FOR GREATER LEEWAY

[1](#)2. (SBU) In an April 16 meeting with the Ambassador, Commerce Secretary Lawa Prasad Devkota asked that the USG demonstrate greater flexibility in its reactions to Nepal's revised WTO offers (Reftel). The Government of Nepal (GON) is committed to meeting all requirements to accede, Devkota stressed. Citing the history of cordial bilateral cooperation between the two governments, Devkota said he regards it as "kind of incumbent" upon all of Nepal's development partners to support the process. He said he found it surprising that two of Nepal's most munificent bilateral donors--the U.S. and Japan--were the two countries with the most stringent reactions to Nepal's revised offers. Devkota also raised the GON's outstanding request for technical assistance on customs valuation from the USG. The EU has already agreed to provide assistance on sanitary and phytosanitary measures, while Australia has agreed in principle to assist in complying with TRIPS regulations.

[1](#)3. (SBU) Joint Secretary Prachanda Man Shrestha raised USG requests on binding tariffs and financial services market access as areas of particular concern. The GON will be unable to accommodate the USG request on binding tariffs because applied rates have not stabilized, he said. Instead, the GON has proposed binding tariffs at an average of between 30 and 45 percent. The GON will be unable to compromise much more than that, he indicated. With respect to financial services, Shrestha noted that the GON has offered to open up 60 subsectors--more than any other LDC has offered. The GON has already agreed to assess zero percent duty on information technology, Shrestha observed, but needs a certain amount of "transition time" to absorb this change.

[1](#)4. (SBU) The Ambassador responded that the USG would like to assist Nepal to accede to the WTO. With no Parliament, Nepal is an unusual situation, he observed, and there is concern in some quarters about whether ordinances passed during this interim period will survive as binding legislation once Parliament resumes. He noted that officials from the WTO Secretariat now in Kathmandu seem fairly optimistic about

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Nepal's prospects. That said, the GON will have to work

quickly to ensure that its responses to each of the Working Party members' reactions are ready by the end of April. Joint Secretary Shrestha said that the GON will provide the WTO Secretariat with a consolidated response to all Working Party members' reactions before the next Working Party meeting at the end of April.

WTO Secretariat in Nepal

15. (SBU) The Ambassador met with Hector Millan and Arif Hussain, Director of the Accessions Division, of the WTO Secretariat on April 15. During their brief exchange, the

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Secretariat officers reiterated the GON's complaints and

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called for the USG to "step back" from its latest negotiating position. On April 16, Millan pressed econoff again, criticizing the demands of the USG. Specifically, he saw the demand to bind tariffs on industrial goods as out of step with the regional tariff structure and beyond the standards of other developing countries already members of the WTO. Millan also dismissed USG requests for preferences, including chemical harmonization and information technology items. In terms of trade in services, Millan commented that the USG demands were "out of step." (Comment: Despite Millan's vehement opposition to the USG position, he was ignorant of Nepal's blacklist of industries, regulatory barriers to foreign investment (let alone the barriers in practice), and of the negotiation stance taken by the GON on binding rates. End comment.)

COMMENT

16. (SBU) Our exchanges in Kathmandu indicate that the GON will likely stress its status as an LDC to justify requests for more lenient treatment. Based on the comments made by the two officials visiting from Geneva, it also seems likely that the Secretariat is encouraging this position. The Embassy supports the GON's request for technical assistance in customs valuation, which, apparently, the USG committed to provide at the first Working Party meeting in Geneva in 2000 (Ref D). So far, however, we have been unable to identify a source of funding for such assistance. We understand that our request for INL funding to support the customs valuation training appears unlikely to be granted (Refs B and C). We urge INL to reconsider its apparent decision not to fund customs valuation assistance for Nepal.
MALINOWSKI